



uMdoni Municipality
Annual Financial Statements
for the year ended 30 June 2020

uMdoni Municipality

(Registration number KZN212)

Annual Financial Statements for the year ended 30 June 2020

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Municipality
Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	CIlr WT Dube (Mayor)
	CIlr ST Khathi (Deputy Mayor)
	CIlr NP Mpanza (Speaker)
	CIlr BC Mngadi (EXCO Member)
	CIlr EV Baptie (EXCO Member)
	CIlr S Mzelemu (EXCO Member)
	CIlr SSI Khwela (EXCO Member)
	CIlr MJ Cele (EXCO Member)
Councillors	CIlr R Brijraj (MPAC Chair)
	CIlr KK Armugam
	CIlr M Ally
	CIlr RB Bhoola
	CIlr SH Cele
	CIlr LR Dlamini
	CIlr JJ East
	CIlr DP Gambushe
	CIlr JNE Gwala
	CIlr ZT Hlongwa
	CIlr DMM Hlengwa
	CIlr NY Khabela
	CIlr BO Mbhele
	CIlr HDT Mtambo
	CIlr LN Myende
	CIlr MC Ngcobo
	CIlr JM Ndlela
	CIlr FM Ngwane
	CIlr PN Nombika
	CIlr BB Sosibo
	CIlr SE Shange
	CIlr S Singh
	CIlr S Sookhraj
	CIlr SD Mdluli
	CIlr MA Khan
	CIlr T Sokhulu
	CIlr PE Thabethe
	CIlr DN Hongwa
	CIlr RS Maharaj
Grading of local authority	3
Chief Finance Officer (CFO)	Ms T Mhlongo
Registered office	Cnr Bram Fischer and Williamson Streets Scottburgh 4180

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General Information

www.umdoni.gov.za

Business address

Cnr Bram Fischer and Williamson Streets
Scottburgh
4180

Postal address

P O Box 19
Scottburgh
4180

Bankers

Standard Bank

Auditors

Auditor General of South Africa
Registered Auditors

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CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Going concern

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 96, which have been prepared on the going concern basis, were approved by the on 31 August 2020 and signed on its behalf by:

Accounting Officer
Dr VP Tsako

uMdoni Municipality

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	194 687 561	204 624 047
Receivables from exchange transactions	3	9 353 671	2 975 880
Receivables from non-exchange transactions	4	65 524 344	64 717 171
VAT receivable	5	12 702 791	11 788 672
Operating lease asset	7	147 152	174 806
Inventories	6	8 849 172	8 849 172
		291 264 691	293 129 748
Non-Current Assets			
Investment property	8	9 415 686	9 823 977
Property, plant and equipment	9	675 213 041	719 325 562
Intangible assets	10	668 614	830 236
Heritage assets	11	261 011	261 011
		685 558 352	730 240 786
Total Assets		976 823 043	1 023 370 534
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	34 848 841	55 630 608
Unspent conditional grants and receipts	14	19 936 828	8 787 933
Finance lease obligation	15	-	901 244
Employee benefit obligation	16	1 315 000	1 343 675
Consumer deposits	13	2 349 056	2 291 563
		58 449 725	68 955 023
Non-Current Liabilities			
Provisions	17	11 298 370	12 769 247
Employee benefit obligation	16	20 668 000	19 556 506
		31 966 370	32 325 753
Total Liabilities		90 416 095	101 280 776
Net Assets		886 406 948	922 089 758
Reserves			
Housing Development Fund		12 831 802	12 595 850
Accumulated surplus		873 575 146	909 493 908
Total Net Assets		886 406 948	922 089 758

* See Note 54

uMdoni Municipality

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	10 061 184	9 928 737
Sale of goods and rendering of services	18	3 594 509	3 997 108
Rental of facilities and equipment	20	6 400 982	6 319 994
Interest received - Investments	23	13 128 271	14 503 423
Interest received - Receivables	24	830 058	119 519
Agency services	22	1 416 134	1 701 157
Operational revenue	21	329 533	475 434
Actuarial Gains	16	719 243	957 404
Total revenue from exchange transactions		36 479 914	38 002 776
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	95 024 244	92 363 754
Property rates - Penalties and Interest	25	5 316 354	5 904 083
Licences and Permits	26	4 237 099	5 930 021
Transfer revenue			
Government grants & subsidies	27	168 765 638	164 734 154
Fines, Penalties and Forfeits	28	2 678 887	2 019 726
Total revenue from non-exchange transactions		276 022 222	270 951 738
Total revenue		312 502 136	308 954 514
Expenditure			
Employee related costs	29	(127 333 729)	(105 246 502)
Remuneration of councillors	30	(15 086 927)	(14 487 719)
Contracted services	36	(77 381 566)	(77 988 857)
Operational expenditure	38	(42 537 671)	(52 600 284)
Depreciation and amortisation	32	(42 184 162)	(55 351 066)
Contribution to Landfill Site Provision	31	(1 085 386)	(210 121)
Impairment of cash and non-cash generating assets	41	(23 921 436)	(1 644 816)
Finance costs	33	(26 521)	(161 394)
Lease rentals on operating lease	34	(41 833)	(233 418)
Debt impairment	35	(15 435 374)	(21 960 665)
Bad debts written off		-	(495 105)
Transfers and subsidies	37	(3 386 199)	(4 815 363)
Loss on disposal of assets and liabilities	39	-	(758 269)
Total expenditure		(348 420 804)	(335 953 579)
Deficit for the year		(35 918 668)	(26 999 065)

The accounting policies on pages 17 to 42 and the notes on pages 43 to 95 form an integral part of the annual financial statements.

* See Note 54

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Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Balance at 01 July 2018	12 595 850	936 695 410	949 291 260
Changes in net assets			
Surplus for the year	-	(26 999 065)	(26 999 065)
Unallocated receipts written off	-	(202 437)	(202 437)
Total changes	-	(27 201 502)	(27 201 502)
Restated* Balance at 01 July 2019	12 595 850	909 493 909	922 089 759
Changes in net assets			
Surplus for the year	-	(35 918 668)	(35 918 668)
Housing Fund receipts	235 952	-	235 952
Write-off of outstanding receipts	-	(95)	(95)
Total changes	235 952	(35 918 763)	(35 682 811)
Balance at 30 June 2020	12 831 802	873 575 146	886 406 948

* See Note 54

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates and taxes		90 110 058	97 477 622
Sale of goods and services		16 216 854	11 351 307
Government Grants and Subsidies		247 155 273	177 567 000
Interest income		13 128 271	14 503 423
		<u>366 610 456</u>	<u>300 899 352</u>
Payments			
Employee costs		(139 295 253)	(117 847 547)
Suppliers		(212 370 058)	(137 484 505)
Finance costs		(961)	-
		<u>(351 666 272)</u>	<u>(255 332 052)</u>
Net cash flows from operating activities	40	<u>14 944 184</u>	<u>45 567 300</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(23 979 426)	(38 686 070)
Purchase of other intangible assets	10	-	(666 547)
Net cash flows from investing activities		<u>(23 979 426)</u>	<u>(39 352 617)</u>
Cash flows from financing activities			
Finance lease payments		<u>(901 244)</u>	<u>(1 687 816)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(9 936 486)</u>	<u>4 526 867</u>
Cash and cash equivalents at the beginning of the year		204 624 047	200 097 180
Cash and cash equivalents at the end of the year	2	<u>194 687 561</u>	<u>204 624 047</u>

* See Note 54

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	8 256 270	-	8 256 270	10 061 184	1 804 914	Variance: 22% Ref 1.1
Rental of facilities and equipment	6 414 651	(78 570)	6 336 081	6 400 982	64 901	Variance: 1%
Agency services	-	-	-	1 416 134	1 416 134	Variance: 100% Ref 1.2
Other income	13 924 466	32 970 672	46 895 138	3 924 041	(42 971 097)	Variance: (92%) Ref 1.3
Interest received - investment	12 291 016	-	12 291 016	13 128 271	837 255	Variance: 7%
Interest earned - outstanding debtors	-	-	-	848 493	848 493	Variance: 100% Ref 1.4
Total revenue from exchange transactions	40 886 403	32 892 102	73 778 505	35 779 105	(37 999 400)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	96 881 817	-	96 881 817	95 024 243	(1 857 574)	Variance: 2%
Licences and Permits	9 774 490	(6 485 368)	3 289 122	4 237 099	947 977	Variance: 28% Ref 1.5
Transfer revenue						
Government grants & subsidies	206 689 075	3 350 760	210 039 835	168 765 638	(41 274 197)	Variance: (20%) Ref 1.6
Fines, Penalties and Forfeits	2 444 562	(1 339 879)	1 104 683	7 976 805	6 872 122	Variance: 6%
Total revenue from non-exchange transactions	315 789 944	(4 474 487)	311 315 457	276 003 785	(35 311 672)	
Total revenue	356 676 347	28 417 615	385 093 962	311 782 890	(73 311 072)	
Expenditure						
Employee costs	(117 906 935)	(6 826 183)	(124 733 118)	(125 697 514)	(964 396)	Variance: (1%)
Remuneration of councillors	(15 613 058)	-	(15 613 058)	(15 086 928)	526 130	Variance: 3%
Depreciation and amortisation	(41 268 678)	(10 651 783)	(51 920 461)	(42 184 160)	9 736 301	Variance: 19% Ref 1.7
Debt impairment	(1 739 745)	(30)	(1 739 775)	(39 356 810)	(37 617 035)	Variance: 2162% Ref 1.8
Finance costs	(609 634)	579 750	(29 884)	(26 520)	3 364	Variance: 11% Ref 1.9
Contracted services	(74 217 873)	(22 507 155)	(96 725 028)	(77 381 567)	19 343 461	Variance: 19% Ref 1.10
Transfers and Subsidies	(5 356 262)	1 522 382	(3 833 880)	(3 386 198)	447 682	Variance: 12% Ref 1.11
Other materials	(7 044 315)	(896 837)	(7 941 152)	(6 466 782)	1 474 370	Variance: 19% Ref 1.12
Other expenditure	(48 741 496)	(1 144 488)	(49 885 984)	(38 115 072)	11 770 912	Variance: 24% Ref 1.13
Total expenditure	(312 497 996)	(39 924 344)	(352 422 340)	(347 701 551)	4 720 789	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	44 178 351	(11 506 729)	32 671 622	(35 918 661)	(68 590 283)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	44 178 351	(11 506 729)	32 671 622	(35 918 661)	(68 590 283)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	38 473 423	67 809 785	106 283 208	57 274 855	(49 008 353)	Variance:(46%) Ref 2.1
Call investments	123 158 152	25 249 847	148 407 999	137 412 705	(10 995 294)	Variance: 7%
Inventories	-	8 854 988	8 854 988	8 849 172	(5 816)	Variance:(1%)
Consumer debtors	56 850 584	(1 775 696)	55 074 888	71 507 087	16 432 199	Variance: 29% Ref 2.2
Other debtors	10 466 798	9 233 210	19 700 008	16 553 989	(3 146 019)	Variance:(15%) Ref 2.3
	228 948 957	109 372 134	338 321 091	291 597 808	(46 723 283)	
Non-Current Assets						
Investment property	24 864 660	(15 884 955)	8 979 705	9 415 686	435 981	Variance: 4%
Property, plant and equipment	745 699 424	(50 116 140)	695 583 284	675 213 064	(20 370 220)	Variance:(2%)
Intangible assets	4 218 220	(3 142 139)	1 076 081	668 615	(407 466)	Variance:(3%)
Heritage assets	261 011	-	261 011	261 011	-	
	775 043 315	(69 143 234)	705 900 081	685 558 376	(20 341 705)	
Total Assets	1 003 992 272	40 228 900	1 044 221 172	977 156 184	(67 064 988)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	32 289 487	41 818 373	74 107 860	51 784 314	(22 323 546)	Variance:(30%) Ref: 2.4
Consumer deposits	1 233 655	(6 646)	1 227 009	2 349 055	1 122 046	Variance: 9%
Provisions	1 569 526	905 551	2 475 077	2 306 701	(168 376)	Variance:(6%)
	35 092 668	42 717 278	77 809 946	56 440 070	(21 369 876)	
Non-Current Liabilities						
Provisions	31 956 111	4 340 946	36 297 057	33 437 247	(2 859 810)	Variance:(8%)
Total Liabilities	67 048 779	47 058 224	114 107 003	89 877 317	(24 229 686)	
Net Assets	936 943 493	(6 829 324)	930 114 169	887 278 867	(42 835 302)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Reserves	12 595 850	4 971 925	17 567 775	12 831 802	(4 735 973)	Variance:(26%)
Accumulated surplus	924 347 643	(11 801 249)	912 546 394	874 447 065	(38 099 329)	Variance:(4%)
Total Net Assets	936 943 493	(6 829 324)	930 114 169	887 278 867	(42 835 302)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates and taxes	94 938 307	(8 238 227)	86 700 080	90 110 058	3 409 978	Variance:4%
Service Charges	9 508 936	(571 936)	8 937 000	15 646 671	6 709 671	Variance:(75%) Ref 3.1
Government grants and subsidies	191 661 000	15 234 456	206 895 456	247 155 272	40 259 816	Variance:19% Ref 3.2
Other revenue	24 358 925	35 102 943	59 461 868	570 183	(58 891 685)	Variance:(99%) Ref 3.3
Interest	12 471 880	(180 864)	12 291 016	13 128 279	837 263	Variance:7%
	332 939 048	41 346 372	374 285 420	366 610 463	(7 674 957)	

Payments

Employee costs and suppliers	(268 403 681)	(21 220 831)	(289 624 512)	(347 935 549)	(58 311 037)	Variance:(20%) Ref 3.4
Finance charges	(609 685)	(579 750)	(1 189 435)	(961)	1 188 474	Variance:99% Ref 3.5
Transfers and Grants	(5 356 262)	1 522 382	(3 833 880)	(3 669 119)	164 761	Variance: 4%
	(274 369 628)	(20 278 199)	(294 647 827)	(351 605 629)	(56 957 802)	

Net cash flows from operating activities

58 569 420 21 068 173 79 637 593 15 004 834 (64 632 759)

Cash flows from investing activities

Purchase of property, plant and equipment	(44 178 075)	15 767 498	(28 410 577)	(23 979 427)	4 431 150	Variance: 16% Ref 3.6
Increase (decrease) in consumer deposits	(6 644)	-	(6 644)	(60 643)	(53 999)	Variance: (813%) Ref 3.7

Net cash flows from investing activities

(44 184 719) 15 767 498 (28 417 221) (24 040 070) 4 377 151

Cash flows from financing activities

Repayment of borrowing	(2 032 640)	1 131 395	(901 245)	(901 245)	-	
Net increase/(decrease) in cash and cash equivalents	12 352 061	37 967 066	50 319 127	(9 936 481)	(60 255 608)	
Cash and cash equivalents at the beginning of the year	204 372 080	-	204 372 080	204 624 047	251 967	Variance: 12% Ref 3.8

Cash and cash equivalents at the end of the year

216 724 141 37 967 066 254 691 207 194 687 566 (60 003 641)

Additional text

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Explanation of variances:

The accounting policies on pages 17 to 42 and the notes on pages 43 to 95 form an integral part of the annual financial statements.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	96 881 817	-	96 881 817	-		96 881 817	100 340 598		3 458 781	104 %	104 %
Service charges	8 256 210	-	8 256 210	-		8 256 210	10 061 184		1 804 974	122 %	122 %
Investment revenue	12 291 016	-	12 291 016	-		12 291 016	13 128 271		837 255	107 %	107 %
Transfers recognised - operational	162 511 000	14 857 256	177 368 256	-		177 368 256	150 060 144		(27 308 112)	85 %	92 %
Other own revenue	32 558 169	25 066 854	57 625 023	-		57 625 023	19 487 200		(38 137 823)	34 %	60 %
Total revenue (excluding capital transfers and contributions)	312 498 212	39 924 110	352 422 322	-		352 422 322	293 077 397		(59 344 925)	83 %	94 %
Employee costs	(117 906 935)	(6 826 182)	(124 733 117)	-	-	(124 733 117)	(125 267 513)	-	(534 396)	100 %	106 %
Remuneration of councillors	(15 613 059)	1	(15 613 058)	-	-	(15 613 058)	(15 086 927)	-	526 131	97 %	97 %
Debt impairment	(1 739 775)	-	(1 739 775)			(1 739 775)	(39 356 810)	-	(37 617 035)	2 262 %	2 262 %
Depreciation and asset impairment	(41 268 678)	(10 651 782)	(51 920 460)			(51 920 460)	(42 184 162)	-	9 736 298	81 %	102 %
Finance charges	(609 684)	579 749	(29 935)	-	-	(29 935)	(26 521)	-	3 414	89 %	4 %
Materials and bulk purchases	(7 044 315)	(896 837)	(7 941 152)	-	-	(7 941 152)	(6 466 782)	-	1 474 370	81 %	92 %
Transfers and grants	(5 356 262)	1 522 382	(3 833 880)	-	-	(3 833 880)	(3 386 199)	-	447 681	88 %	63 %
Other expenditure	(122 959 339)	(23 651 672)	(146 611 011)	-	-	(146 611 011)	(115 926 641)	-	30 684 370	79 %	94 %
Total expenditure	(312 498 047)	(39 924 341)	(352 422 388)	-	-	(352 422 388)	(347 701 555)	-	4 720 833	99 %	111 %
Surplus/(Deficit)	165	(231)	(66)	-		(66)	(54 624 158)		(54 624 092)	763 876 %	(105 550)%

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	29 150 000	377 199	29 527 199	-		29 527 199	18 705 494		(10 821 705)	63 %	64 %
Contributions recognised - capital and contributed assets	15 028 075	(11 883 695)	3 144 380	-		3 144 380	-		(3 144 380)	- %	- %
Surplus (Deficit) after capital transfers and contributions	44 178 240	(11 506 727)	32 671 513	-		32 671 513	(35 918 664)		(68 590 177)	(110)%	(81)%
Surplus/(Deficit) for the year	44 178 240	(11 506 727)	32 671 513	-		32 671 513	(35 918 664)		(68 590 177)	(110)%	(81)%
Capital expenditure and funds sources											
Total capital expenditure	44 178 075	(15 767 501)	28 410 574	-		28 410 574	23 979 426		(4 431 148)	84 %	54 %
Sources of capital funds											
Transfers recognised - capital	29 150 000	(8 754 467)	20 395 533	-		20 395 533	-		(20 395 533)	- %	- %
Internally generated funds	15 028 075	(7 013 034)	8 015 041	-		8 015 041	-		(8 015 041)	- %	- %
Total sources of capital funds	44 178 075	(15 767 501)	28 410 574	-		28 410 574	-		(28 410 574)	- %	- %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	58 569 420	21 068 713	79 638 133	-		79 638 133	14 944 184		(64 693 949)	19 %	26 %
Net cash from (used) investing	(44 178 075)	15 767 498	(28 410 577)	-		(28 410 577)	(23 979 426)		4 431 151	84 %	54 %
Net cash from (used) financing	(2 032 640)	1 124 751	(907 889)	-		(907 889)	(901 244)		6 645	99 %	44 %
Net increase/(decrease) in cash and cash equivalents	12 358 705	37 960 962	50 319 667	-		50 319 667	(9 936 486)		(60 256 153)	(20)%	(80)%
Cash and cash equivalents at the beginning of the year	149 272 602	55 099 478	204 372 080	-		204 372 080	204 624 047		251 967	100 %	137 %
Cash and cash equivalents at year end	161 631 307	93 060 440	254 691 747	-		254 691 747	194 687 561		60 004 186	76 %	120 %

The accounting policies on pages 17 to 42 and the notes on pages 43 to 95 form an integral part of the annual financial statements.

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Changes in Accounting Policy and Comparability

Accounting policies have been consistency applied, except where otherwise indicated below.

For the year ended 30 June 2020, the municipality has adopted the accounting framework as set out below except as excluded by the applicable directives. The details of any resulting changes in the accounting policy and comparative restatements.

The municipality changes an accounting policy only if the change:

- (a) Is required by a standard of GRAP or
- (b) Results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

STANDARDS APPROVED AND EFFECTIVE FOR 2019/20 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2019/20 financial year::

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non -Cash Generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under common Control
GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

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Accounting Policies

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective for the 2018/19 financial year and have not been adopted early by the municipality:

GRAP 18	Segment Reporting (effective for financial years commencing from 1 April 2020)
GRAP 34	Separate Financial Statements (effective for financial years commencing from 1 April 2020)
GRAP 35	Consolidated Financial Statements (effective for financial years commencing from 1 April 2020)
GRAP 36	Investments in Associates and Joint Ventures (effective for financial years commencing from 1 April 2020)
GRAP 37	Joint Arrangements (effective for financial years commencing from 1 April 2020)
GRAP 38	Disclosure of Interests in Other Entities (effective for financial years commencing from 1 April 2020)
GRAP 110	Living and Non-living Resources (no effective date has been determined by the Minister to date)

Impact on the municipality's financial statements once implemented:

Management has considered all of the above mentioned GRAP standards issued but not yet effective, including the new standards that are effective in the upcoming financial years, and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements for the 2019/20 financial year, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Revenue recognition

Accounting Policy 1.13 on Revenue from Exchange Transactions and Accounting Policy 1.14 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 1.9 on Financial Assets Classification and Accounting Policy 1.9 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

Impairment : Write down of Property Plant and Equipment and Inventories

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

As described in Accounting Policy 1.5, the municipality depreciates over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Defined benefit plan liabilities

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

As described in Accounting Policy 1.20, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 13 and 27 to the Annual Financial Statements.

Allowance for doubtful debts

For trade and other receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. All the amounts are rounded off to the nearest rand.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Housing development fund (continued)

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-30 years
Street lighting	Straight line	35 years
Machinery and equipment	Straight line	4-15 years
Furniture and office equipment	Straight line	5-15 years
Motor vehicles	Straight line	7-10 years
Computer equipment	Straight line	5 years
Traffic signs	Straight line	15 years
Landfill Site	Straight line	55 years
Community Assets	Straight line	10-30 years
Other property, plant and equipment	Straight line	10-30 years
Cemeteries	Straight line	30 years
Transport assets	Straight line	7-15 years
Dwellings	Straight line	10-30 Years
Non - residential dwellings	Straight line	10-30 years
Leased Motor vehicles	Straight line	3 years
Electricity	Straight line	20-35 years
Stormwater	Straight line	30-50 years
Roads municipal asphalt surface	Straight line	20 years
Roads municipal asphalt basis	Straight line	50 years
Roads municipal concrete surface	Straight line	30 years
Roads municipal concrete basis	Straight line	50 years
Roads municipal gravel surface	Straight line	10 years
Kerb and channels	Straight line	50 years
Retaining walls	Straight line	60 years
Pedestrian footpaths	Straight line	30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date, based on the indicators present in accordance with GRAP 17, whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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Accounting Policies

1.6 Property, plant and equipment (continued)

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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Accounting Policies

1.8 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent Measurement - Cost Model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Impairment

The entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

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Accounting Policies

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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1.10 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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1.10 Financial instruments (continued)

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

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1.11 Statutory receivables (continued)

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

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1.11 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Inventories

Initial recognition

Inventories comprise of housing stock and consumable stores. Inventories are recognised at the weighted average method. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired .

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. .

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1.13 Revenue from exchange transactions (continued)

Service Charges

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of Goods

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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1.14 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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1.14 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

The entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

Revenue from recovery of unauthorised, Irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.15 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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1.15 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

The municipality treats its provision for leave pay as an accrual. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

Provision for staff leave :

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

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1.15 Provisions and contingencies (continued)

Provision for refuse site rehabilitation :

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined in terms of the Municipal Landfill Closure Costing Module and calculated annually have been applied

1.16 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of twelve months or less or more and are subject to an insignificant risk of change in value unless the purpose and nature of such investments are for capital appreciation purposes and not held for operational activities as deemed by management .

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means: Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which write-off is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Employee benefits

Retirement Benefits :

The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits.

Post- retirement health care benefits :

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.21 Deposits

Deposits received by the municipality are in terms of the approved tariff of charges by Council. These mainly relate to the use of community facilities and verge deposits, amongst others

Unidentified Direct Deposits relate to deposits made by the public into the municipality's bank account, which due to a lack of information made during the deposit process, cannot be traced to the relevant debtor. A register is maintained for all Unidentified Direct Deposits. Should all attempts prove fruitless in the identification of the relevant debtor and the amount remains unclaimed by the debtor after a time lapse of two years has occurred, these values are transferred to accumulated surplus.

1.22 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.23 Budget information

The annual budget figures have been prepared in accordance with the GRAP 24 standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality. These figures are those approved by the Council at the beginning and during the year. The budget is approved on an accrual basis by nature classification.

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Accounting Policies

1.23 Budget information (continued)

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Prior year adjustments

Restatements are effected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended. The nature and reason for the reclassification are disclosed.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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Accounting Policies

1.27 Capital commitments

Items are classified as commitments where the municipality commits itself to the future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by the specific standard of GRAP.

-Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

-Contracts that are entered into before the reporting date, but goods and services have yet been received are disclosed in the disclosure notes to the financial statements.

1.28 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.29 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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Accounting Policies

1.29 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.30 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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Accounting Policies

1.30 Impairment of non-cash-generating assets (continued)

[Specify judgements made]

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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Accounting Policies

1.30 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.31 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	5 250	5 250
Short-term deposits	-	422 969
Bank balance	12 467 127	1 104 179
Other cash and cash equivalents	182 215 184	203 091 649
	194 687 561	204 624 047

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank - Investment - 92-3600-6170	18 878 557	17 921 386	16 939 958	18 878 557	17 921 386	16 939 958
ABSA Bank - Investment - 92-0488-0592	-	209	426	-	269	426
First National Bank - Investment - 62-2251-55391	19 004 099	17 988 484	16 920 313	19 004 470	17 988 484	16 920 313
First National Bank - Investment - 71-0938-31661	2 810 398	2 591 155	2 425 208	2 810 398	2 588 335	2 425 208
Standard Bank - Investment - 5876211 6/007	11 778 189	2 778 189	4 778 189	11 778 187	2 778 187	4 778 189
Standard Bank - Investment - 5876211 6/008	327 200	327 200	327 200	327 199	327 200	327 200
Standard Bank - Investment - 5876211 6/010	3 645 884	199 780	3 014 369	3 645 884	199 779	3 014 369
Standard Bank - Investment - 5876211 6/014	1 198 103	1 198 103	1 198 103	1 198 103	1 198 103	1 198 103
Standard Bank - Investment - 5876211 6/015	7 048 437	26 120 843	23 404 704	7 048 437	26 120 843	23 404 704
Standard Bank - Investment - 5876211 6/021	27 084 690	25 131 651	23 260 606	27 084 689	25 131 651	23 260 606
Standard Bank - Investment - 54417996	76 069	73 803	71 282	76 069	73 803	71 282
Nedbank - Investment - 7881 0177 59/94	50 245 319	47 363 109	44 773 563	50 245 319	47 616 877	44 773 563
Standard Bank - Current Account - Short term deposit - 052 854 329	-	421 211	424 069	-	421 211	424 069
Nedbank - Investment - 7881 0177 59/121	-	-	22 295 292	-	-	22 295 262
Nedbank - Investment - 7881 0177 59/122	-	-	34 251 241	-	-	34 247 179
Nedbank - Investment - 7881 0177 59/125	-	24 111 550	-	-	24 111 550	-
Nedbank - Investment - 7881 0177 59/156	40 115 349	37 034 165	-	40 115 348	37 034 165	-
Standard Bank - Cheque - 052 791 688 - Primary Bank Account	12 305 217	818 762	5 716 922	12 469 901	1 106 954	6 011 498
Cash on Hand	5 250	5 250	5 250	5 250	5 250	5 250
Total	194 522 761	204 084 850	199 806 695	194 687 811	204 624 047	200 097 179

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
3. Receivables from exchange transactions		
Gross balances		
Control account - under/over banking	-	95
Salary debtor	1 327 570	1 327 570
Refuse	7 971 477	6 108 199
Sundry debtors	17 970 531	15 311 160
Department of Transport - accrued revenue	14 583	-
Department of Energy - INEP project	1 850 795	-
	29 134 956	22 747 024
Less: Allowance for impairment		
Refuse	(4 509 743)	(4 499 601)
Sundry debtors	(15 271 542)	(15 271 543)
	(19 781 285)	(19 771 144)
Net balance		
Control account - under/over banking	-	95
Salary debtor	1 327 570	1 327 570
Refuse	3 461 734	1 608 598
Sundry debtors	2 698 989	39 617
Department of Transport - accrued revenue	14 583	-
Department of Energy - INEP Project	1 850 795	-
	9 353 671	2 975 880
Control clearing account - Under/over banking		
> 365 days	-	95
Salary Debtor		
Current (0 -30 days)	-	1 327 570
> 365 days	1 327 570	-
	1 327 570	1 327 570
Refuse		
Current (0 -30 days)	595 850	545 079
31 - 60 days	329 862	278 558
61 - 90 days	267 479	180 089
91 - 120 days	263 326	174 864
121 - 365 days	6 514 960	4 929 609
	7 971 477	6 108 199
Sundry Debtors		
Current (0 -30 days)	970 102	1 515 400
31 - 60 days	719 904	420 673
61 - 90 days	535 139	250 702
91 - 120 days	590 925	244 197
121 - 365 days	15 154 461	12 880 188
	17 970 531	15 311 160
Department of Transport - Accrued revenue		
Current (0 -30 days)	14 583	-

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
3. Receivables from exchange transactions (continued)		
Department of Energy - INEP		
Current (0 -30 days)	1 850 795	-
4. Receivables from non-exchange transactions		
Gross Debtors		
Fines	10 699 191	8 202 166
Property Rates	86 432 779	72 697 400
	97 131 970	80 899 566
Impairment		
Traffic fine impairment	(10 506 627)	(2 139 850)
Property Rates impairment	(21 100 999)	(14 042 545)
	(31 607 626)	(16 182 395)
Net Debtors		
Traffic Fines	192 564	6 062 316
Property Rates	65 331 780	58 654 855
	65 524 344	64 717 171

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Fines	10 699 191	8 202 166
Property rates - Residential	60 178 269	-
Property rates - Informal Settlements	80 609	-
Property rates - Vacant Land	3 936 338	-
Property rates - Minings and quarries	10 594	-
Property rates - Smallholdings Agriculture	44 733	-
Property rates - Smallholdings Residential	21 539	-
Property rates - Industrial	751 484	-
Property rates - Farms Other	110 632	-
Property rates - Business and Commercial	12 927 434	-
Property rates - Farms Agriculture	4 583 602	-
Property rates - Farms Commercial	10 595	-
Property rates - Farms Residential	1 093 097	-
Property rates - State Owned Properties	287 235	-
Property rates - Public Service Infrastructure	2 396 615	-
	97 131 967	8 202 166

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates and charges against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

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Figures in Rand	2020	2019
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4. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

Fines	(10 506 627)	(2 139 850)
Property rates - Residential	(21 814 273)	-
Property rates - Informal Settlements	(70 229)	-
Property rates - Vacant Land	(1 574 250)	-
Property rates - Mining and quarries	(10 593)	-
Property rates - Smallholdings Agriculture	8 563	-
Property rates - Industrial	(153 272)	-
Property rates - Business and Commercial	(7 444 175)	-
Property rates - Farms Agriculture	(4 557 135)	-
Property rates - State Owned Properties	(281 485)	-
Property rates - Public Service Infrastructure	14 795 851	-
	(31 607 625)	(2 139 850)

The basis of impairment takes into account the following factors:

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Fines	192 564	6 062 316
Property rates - Residential	38 363 996	44 528 823
Property rates - Informal Settlements	10 381	12 924
Property rates - Vacant Land	2 362 088	2 366 463
Property rates - Smallholdings Agriculture	53 296	21 238
Property rates - Smallholdings Residential	21 540	8 236
Property rates - Industrial	598 211	464 466
Property rates - Farms Other	110 633	71 797
Property rates - Business and Commercial	5 483 259	9 343 202
Property rates - Farms Agriculture	26 466	2 859 286
Property rates - Farms Commercial	10 595	3 216
Property rates - Farms Residential	1 093 097	770 983
Property rates - State Owned Properties	5 751	265 104
Property rates - Public Service Infrastructure	17 192 467	(2 060 886)
	65 524 344	64 717 168

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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4. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:

Include the basis this was determined:

Fines	1	-
Property rates - Residential	1	-
Property rates - Informal Settlements	1	-
Property rates - Vacant Land	1	-
Property rates - Smallholdings Agriculture	1	-
Property rates - Smallholdings Residential	1	-
Property rates - Industrial	1	-
Property rates - Farms Other	1	-
Property rates - Business and Commercial	1	-
Property rates - Farms Agriculture	1	-
Property rates - Farms Commercial	1	-
Property rates - Farms Residential	1	-
Property rates - State Owned Properties	1	-
Property rates - Public Service Infrastructure	1	-
	14	-

Summary of aging of debtors

Traffic Fines

Current (0-30 days)	225 400	172 700
31-60 days	382 100	219 900
61-90 days	429 650	209 850
91-120 days	374 200	149 450
121-365 days	9 287 841	7 450 266
	10 699 191	8 202 166

Property Rates

Current (0-30 days)	5 264 062	4 241 074
31-60 days	2 668 911	1 960 990
61-90 days	1 781 758	1 260 684
91-120 days	1 617 868	1 016 383
121-365 days	75 100 180	64 218 269
	86 432 779	72 697 400

5. VAT receivable

VAT	12 702 791	11 788 672
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

6. Inventories

Housing Inventories	8 849 172	8 849 172
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7. Operating Leases Asset

Current assets	147 152	174 806
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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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7. Operating Leases Asset (continued)

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases, the following assets have been recognised:

Operating Lease Reconciliation

Balance at beginning of year	174 806	69 012
Operating lease revenue recorded	(1 701 399)	(1 611 960)
Operating lease revenue effected	1 673 746	1 717 754
	147 153	174 806

At the reporting date, the municipality had outstanding receipts in terms of operating leases, which will accrue as follows:

Receivable within 1 year	1 798 607	1 710 359
Receivable within 2-5 years	5 914 931	6 500 417
Receivable after 5 years	1 058 356	2 597 641
	8 771 894	10 808 417

Included in the above mentioned operating lease receivables is the following class of assets:

Land and building	8 771 894	10 808 417
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8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12 081 209	(2 665 523)	9 415 686	12 081 209	(2 257 232)	9 823 977

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	9 823 977	(408 291)	9 415 686

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	10 231 942	(407 965)	9 823 977

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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8. Investment property (continued)

Amounts recognised in surplus or deficit

From Investment property that generated rental revenue

Repairs and maintenance	-	270 555
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The municipality's Investment Property is held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

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9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	56 704 419	-	56 704 419	56 704 419	-	56 704 419
Buildings	51 340 263	(13 912 636)	37 427 627	50 366 501	(11 767 690)	38 598 811
Community Assets	249 496 906	(104 271 281)	145 225 625	245 815 463	(80 503 441)	165 312 022
Infrastructure: Roads	488 878 918	(158 236 467)	330 642 451	470 829 391	(136 750 903)	334 078 488
Infrastructure: Storm Water	119 208 646	(34 813 346)	84 395 300	118 967 951	(27 155 717)	91 812 234
Infrastructure: Solid Waste	7 220 874	(3 996 714)	3 224 160	9 777 137	(3 635 435)	6 141 702
Infrastructure: Electricity	211 364	(150 241)	61 123	211 364	(139 934)	71 430
Transport Assets	32 963 782	(23 154 863)	9 808 919	32 963 783	(21 275 841)	11 687 942
Machinery and equipment	20 259 720	(16 954 394)	3 305 326	19 733 085	(12 007 273)	7 725 812
Furniture and office equipment	10 489 572	(8 052 172)	2 437 400	10 463 374	(6 787 072)	3 676 302
Computer equipment	8 073 252	(6 092 561)	1 980 691	7 592 093	(4 075 693)	3 516 400
Total	1 044 847 716	(369 634 675)	675 213 041	1 023 424 561	(304 098 999)	719 325 562

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	56 704 419	-	-	-	-	-	56 704 419
Buildings	38 598 811	973 761	-	-	(2 144 945)	-	37 427 627
Community Assets	165 312 022	3 681 446	-	-	(12 131 025)	(11 636 818)	145 225 625
Infrastructure: Roads	334 078 488	18 290 223	(240 696)	-	(17 400 800)	(4 084 764)	330 642 451
Infrastructure: Storm Water	91 812 234	-	240 696	-	(3 209 637)	(4 447 993)	84 395 300
Infrastructure: Solid Waste	6 141 702	-	-	(2 556 263)	(309 856)	(51 423)	3 224 160
Infrastructure: Electricity	71 430	-	-	-	(10 307)	-	61 123
Transport Assets	11 687 942	-	-	-	(1 473 700)	(405 323)	9 808 919
Machinery and equipment	7 725 812	526 636	-	-	(2 926 611)	(2 020 511)	3 305 326
Furniture and office equipment	3 676 302	26 200	-	-	(711 181)	(553 921)	2 437 400
Computer equipment	3 516 400	481 160	-	-	(1 296 186)	(720 683)	1 980 691
	719 325 562	23 979 426	-	(2 556 263)	(41 614 248)	(23 921 436)	675 213 041

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	56 704 419	-	-	-	-	56 704 419
Buildings	39 049 471	5 053 155	(3 187 244)	(2 206 835)	(109 736)	38 598 811
Community Assets	175 488 224	533 353	3 187 244	(12 486 966)	(1 409 833)	165 312 022
Infrastructure: Roads	334 042 580	26 187 821	-	(26 147 578)	(4 335)	334 078 488
Infrastructure: Stormwater	95 590 180	-	-	(3 777 946)	-	91 812 234
Infrastructure: Solid waste	6 205 901	241 500	-	(305 699)	-	6 141 702
Infrastructure: Electricity	81 737	-	-	(10 307)	-	71 430
Transport Assets	11 448 463	3 932 269	-	(3 653 885)	(38 905)	11 687 942
Machinery and equipment	8 881 894	1 638 816	-	(2 781 254)	(13 644)	7 725 812
Furniture and office equipment	4 602 278	537 548	-	(1 418 199)	(45 325)	3 676 302
Computer equipment	4 490 890	561 609	-	(1 513 060)	(23 039)	3 516 400
	736 586 037	38 686 071	-	(54 301 729)	(1 644 817)	719 325 562

Reconciliation of Work-in-Progress 2020

	Included within Roads	Included within Community	Included within Buildings	Total
Opening balance	50 855 744	4 133 531	4 585 882	59 575 157
Additions/capital expenditure	18 290 233	1 794 318	973 761	21 058 312
Transferred to completed items	(24 103 798)	-	-	(24 103 798)
	45 042 179	5 927 849	5 559 643	56 529 671

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Roads	Included within Community	Included within Buildings	Total
Opening balance	69 006 712	4 133 530	2 719 971	75 860 213
Additions/capital expenditure	23 931 312	-	5 053 155	28 984 466
Transfer to completed items	(42 082 280)	-	(3 187 243)	(45 269 523)
	50 855 744	4 133 530	4 585 883	59 575 156

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	16 912 235	25 944 784
General expenses	-	995 760
	16 912 235	26 940 544

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

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10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 836 836	(1 168 222)	668 614	1 990 268	(1 160 032)	830 236

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	830 236	(161 622)	668 614

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 563 329	666 547	(758 270)	(641 370)	830 236

Pledged as security

No intangible assets were pledged as security.

11. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value

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11. Heritage assets (continued)

Historical Monument and Antiquities

261 011	-	261 011	261 011	-	261 011
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Reconciliation of heritage assets 2020

	Opening balance 261 011	Total 261 011
Historical Monument and Antiquities		

Reconciliation of heritage assets 2019

	Opening balance 261 011	Total 261 011
Historical Monument		

Pledged as security

No heritage assets were pledged as security.

12. Payables from exchange transactions

Trade payables and accruals	7 734 788	25 985 960
Payments received in advance	5 873 464	5 686 491
Accrued leave pay	14 297 341	10 447 880
Retention held	5 146 544	12 203 183
Unidentified direct deposits	1 689 773	1 257 836
Salary control accounts	106 931	49 258
	34 848 841	55 630 608

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors. The municipality has financial policies place to ensure that all payables are paid within the credit timeframe.

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12. Payables from exchange transactions (continued)

Retention refers to monies retained by the municipality on construction work completed by three various suppliers throughout the duration of their contract. These monies are released upon progressive completion of their respective undertakings.

Leave accrual is due to staff leave accruing to the staff of the municipality on an annual basis, subject to certain conditions and is capped at 48 days as per the collective agreement. The provision is an estimate of the amount due at the reporting date.

13. Consumer deposits

Rates - valuation appeals	19 819	19 819
Signage and poster deposits	79 988	79 988
Verge deposits	1 331 764	1 300 748
Rental deposits	917 485	891 008
	2 349 056	2 291 563

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of community halls and facilities are completed, and an inspection has been executed to ensure that the facilities hired have been restored to its original condition, and no damage to the property is evident. Council may utilise the deposit as payment to rectify the facilities to its original condition or to restore damage to the property.

No interest is paid on consumer deposits held.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Disaster Management Grant	4 061 811	-
Municipal Infrastructure Grant	10 549 575	-
Integrated Energy Efficiency Grant	-	7 787 932
Libraries grant	-	1
Special Development Framework Grant	730 500	1 000 000
Housing Development	4 594 942	-
	19 936 828	8 787 933

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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15. Finance lease obligation		
Minimum lease payments due		
- within one year	-	926 888
	-	926 888
less: future finance charges	-	(25 645)
Present value of minimum lease payments	-	901 243
Present value of minimum lease payments due		
- within one year	-	901 243

Finance leases relate to property, plant and equipment with a lease term not more than 5 years. The effective interest rate on finance leases is 9%.

The risks and rewards of ownership in respect of the property, plant and equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease payments represent lease payments by the municipality for one vehicle and two equipment, which has been settled during the financial year:

Toyota Fortuner
2 x Motor Graders

The municipality has settled the following finance lease agreements for the below mentioned classes of assets:

	-	-
(i) Vehicle - Fortuner		
Installments are payable monthly in arrears	-	97 867
Average period	-	10
Average effective interest rate %, based on prime	-	9
Average monthly installment	-	9 826
	-	-
(ii) Equipment - 2 x Graders]		
Installments are payable monthly in arrears	-	829 021
Average period	-	6
Average effective interest rate %, based on prime	-	9
Average monthly installment	-	138 170

16. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Medical Aid	17 171 000	16 383 557
Long Service	4 812 000	4 516 624
	21 983 000	20 900 181
Non-current liabilities	20 668 000	19 556 506
Current liabilities	1 315 000	1 343 675
	21 983 000	20 900 181

Post Retirement Medical Aid Obligation:

The fair value of plan assets includes:

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16. Employee benefit obligations (continued)

Post Employment Health Care Benefit Liability	17 171 000	16 383 557
Subtotal	17 171 000	16 383 557
Less: Transfer to Current Provisions	(809 000)	(804 410)
	16 362 000	15 579 147

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members	419	166
Continuation members	18	19
	437	185

The liability in respect of past service has been estimated to be as:

In-service members	9 943 000	8 795 571
Continuation members	7 228 000	7 587 986
	17 171 000	16 383 557

The municipality makes monthly contributions for health care

- Bonitas
- Key Health
- LA Health
- Samwumed
- Hosmed

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	10,25 %	9,20 %
Health Care Cost Inflation Rate	6,34 %	6,72 %
Net Effective Discount Rate	3,68 %	2,32 %
Expected Retirement Age - Males and Females	62	62

The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	17 171 000	16 383 557
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16. Employee benefit obligations (continued)

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service cost	783 027	822 121
Interest cost	1 471 098	1 500 325
Actuarial (gain)/loss recognised	(719 243)	(1 461 559)
	1 534 882	860 887

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	16 383 557	16 183 760
Current service cost	783 027	822 121
Interest cost	1 471 098	1 500 325
Benefits paid	(747 439)	(661 090)
Recognised actuarial (gain)/loss	(719 243)	(1 461 559)
	17 171 000	16 383 557

The effect of a 1% change in inflation rate movement in the assumed rate of health care:

Increase		
Effect on the defined benefit obligation	2 485 100	787 443
Decrease		
Effect on the defined benefit obligation	(1 994 900)	(639 900)

The future service cost for the ensuing year is estimated to be R 898,000 whereas the interest-cost for the next year is estimated to be R 1720,000. (2019: R 783,027 and R1,471,098 respectively)

The history of experienced adjustments are as follows:	2020	2019	2018	2017	2016
Present value of Defined Benefit Obligation	17 171 000	16 383 557	16 183 760	15 299 003	15 272 799

Defined contribution plan - Natal Joint Municipal Pension Fund

Umdoni Municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a triennial, biennial or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

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16. Employee benefit obligations (continued)

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solution.

The actuarial valuation performed as at 31 March 2018 revealed that the fund had a shortfall of R 160 million (31 March 2015: shortfall of R 148 million), with a funding level of 96.2% (31 March 2015: 96,1%). The contribution rate, including the surcharges below, paid by the members (7%) and municipalities (18,37%) should be sufficient to eradicate the shortfall in the fund. However, the basic contribution payable is 0.8% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuarial Solutions.

The actuarial valuation performed as at 31 March 2018 revealed that the fund had a shortfall of R Nil (31 March 2015 shortfall of R Nil), with a funding level of 100,0% (31 March 2015: 100%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) is 0.32% (31 March 2015 : 0.22%) less than the required contribution rate for future service and will be reviewed at the next valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2015: 9,5%) of pensionable salaries.

This surcharge is payable until 31 July 2020. The surcharge to local authorities amounts to 9.50% (31 March 2015: 9.50%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

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16. Employee benefit obligations (continued)

The valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R 2,476,156,000 (30 June 2011: R1,483,786,381). The contribution rate paid by the members (13.75%) and the municipalities (15%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2015.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2018 by Argen Actuaries.

The actuarial valuation performed as at 31 March 2018 revealed that the market value of the fund was R 4,105,682 million (31 March 2015: R 2,636,064 million). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2018.

None of the above mentioned plans are State Plans

Long Service Awards

Provision for long service awards	4 812 000	4 516 624
Subtotal	4 812 000	4 022 751
Less: Transfer of current provisions	(506 000)	(678 933)
	4 306 000	3 837 691

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2020 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 419 employees were eligible for Long Service Awards.

The future service cost for the ensuing year is estimated to be R 556,000 whereas the interest-cost for the next year is estimated to be R 340,000 (2019: R 509,469 and R 340,561 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	7,46 %	8,14 %
Expected rate of salary increase	4,02 %	5,54 %
Net effective discount rate	3,31 %	2,46 %

The amounts recognised in the Statement of Financial Position are as

Present value of fund obligation	4 812 000	4 516 624
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16. Employee benefit obligations (continued)

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service cost	509 469	370 708
Interest cost	340 561	315 679
Actuarial loss/(gain)	170 365	504 155
	1 020 395	1 190 542

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	4 516 624	4 022 751
Current service cost	509 469	370 708
Interest cost	340 561	315 679
Benefits paid	(725 019)	(696 669)
Actuarial (gain)/loss recognised	170 365	504 155
	4 812 000	4 516 624

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

Increase		
Effect on the aggregate of the current service and interest cost	923 100	676 900
Decrease		
Effect on the aggregate of the current service and interest cost	785 000	696 800

The history of experienced adjustments are as follows:

2020	2019	2016	2015	2014
4 812 000	4 516 624	4 022 751	3 591 009	2 954 588

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17. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	12 769 247	1 085 386	(2 556 263)	11 298 370

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	12 559 126	210 121	12 769 247

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse sites, Council will incur rehabilitation costs of R11,298,370 determined at present value, to restore the sites. Provision has been made for an amount based on the present value of cost.

The costs of rehabilitating the refuse site have been estimated by the Council's external consulting engineers, Gilgal Development Consulting. Council is required to submit a rehabilitation plan to the Department of Water Affairs six months prior to closing the site on 30 November 2024.

18. Sale of goods and rendering of services

Advertising	42 245	38 682
Camping fees	464 161	359 075
Tender documents	137 427	75 869
Cemetery and Burial	41 209	46 588
Legal fees	101 154	255 525
Building Plan fees	586 442	533 335
Membership	70	209
Photocopies and faxes	43 939	71 710
Application for land usage	23 182	21 704
Removal of restriction	274 836	18 883
Clearance certificates	154 737	175 336
Demolition application fees	419	-
Parking fees	188 308	277 644
Encroachment fees	9 974	3 156
Town planning and servitudes	1 100	5 227
Subdivision	194	9 789
Staff housing rentals	145 451	144 695
Traffic Control	1 379 661	1 745 127
Cleaning and Removal	-	214 554
	3 594 509	3 997 108

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19. Service charges		
Sale of electricity	581 220	558 663
Solid waste	105 783	90 502
Refuse removal	9 374 181	9 279 572
	10 061 184	9 928 737
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs		
20. Rental of facilities and equipment		
Premises		
Premises	6 400 982	6 319 994
21. Operational revenue		
Skills development levy refund	241 520	198 406
Settlement discount	1	24 870
Commissioned earned	60 711	72 586
Special consents	25 081	36 355
Inspections	-	141 139
Breakages and Losses	2 220	2 078
	329 533	475 434
22. Agency services		
Vehicle Registration	1 416 134	1 701 157
23. Investment revenue		
Interest revenue		
Bank	13 128 271	14 503 423
24. Interest - receivables on exchange transactions		
Refuse removal	550 413	118 023
Service charges	279 645	1 496
	830 058	119 519

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25. Property rates

Property rates billed

Residential	53 997 375	49 007 381
Business, Commercial and Industrial	26 626 030	31 576 980
Public Benefit and Public Service Infrastructure	2 910 148	1 345 743
Formal and Informal Settlements	-	21 635
Small holdings and farms	3 859 014	2 831 751
Vacant Land	7 631 677	7 580 264
	<u>95 024 244</u>	<u>92 363 754</u>
Property rates - interest and penalties imposed	5 316 354	5 904 083
	<u>100 340 598</u>	<u>98 267 837</u>

Randages in terms of the Municipal Property Rates Act

Residential	0,01044	0,00994
Commercial, Business and Industrial	0,01397	0,01330
Agricultural Property	0,00261	0,00249
Public Service Infrastructure, Public Benefit Organisations	0,00261	0,00249
Vacant Industrial, Commercial and Other	0,02603	0,02503

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2022.

Rebates on these rates are allowed on the following basis:

Special residential (excluding land)	75 000	75 000
Vacant property	15 000	15 000
Disabled persons, pensioners, indigent persons as defined in the indigent policy (inclusive of the R75,000 above)	370 000	370 000
	<u>460 000</u>	<u>460 000</u>

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

26. Licences and permits

Boat	10 261	4 700
Trading licence	5 722	6 733
Drivers and Motor Vehicle Licences	4 201 064	5 892 478
Taxi Rank Permits	20 052	26 110
	<u>4 237 099</u>	<u>5 930 021</u>

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Figures in Rand	2020	2019
27. Government grants and subsidies		
Operating grants		
Equitable share	132 002 000	118 562 798
Finance Management Grant	3 000 000	4 315 000
Special Development Framework Grant	269 500	-
Provincial Library Services Grant	9 003 000	9 409 086
Provincial Sport and Recreation	-	50 000
Expanded Public Works Programme	1 228 000	1 219 000
Municipal Infrastructure Grant	1 422 931	-
Schemes Support Grant	750 000	-
Covid 19 Disaster Relief Grant	1 341 000	-
Municipal Systems Support Grant	-	1 055 000
Disaster Management Grant	1 043 713	-
	150 060 144	134 610 884
Capital grants		
Municipal Infrastructure Grant	18 705 494	30 118 000
Scottburgh CBD Rehabilitation	-	5 270
	18 705 494	30 123 270
	168 765 638	164 734 154
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	36 763 638	52 383 424
Unconditional grants received	132 002 000	118 562 798
	168 765 638	170 946 222
Covid 19 Relief Grant		
Current-year receipts	1 341 000	-
Conditions met - transferred to revenue	(1 341 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 14).		
Disaster Management Grant		
Current-year receipts	5 105 524	-
Conditions met - transferred to revenue	(1 043 713)	-
	4 061 811	-
Conditions still to be met - remain liabilities (see note 14).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	1 291 798
Current-year receipts	30 678 000	30 118 000
Conditions met - transferred to revenue	(20 128 425)	(30 118 000)
Rollover paid to National Treasury	-	(1 291 798)
	10 549 575	-

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Figures in Rand	2020	2019
27. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 14).		
Schemes Support Grant		
Current-year receipts	750 000	-
Conditions met - transferred to revenue	(750 000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
Integrated National Electrification Programme		
Balance unspent at beginning of year	7 787 932	-
Current-year receipts	15 000 000	14 000 000
Conditions met - expenditure incurred (accounted for as an agent)	(22 787 932)	(6 212 068)
	<u>-</u>	<u>7 787 932</u>
The Integrated National Electrification Programme has been gazetted to the municipality as a grant in terms of DORA. However, this arrangement is considered to meet the definition of an agent, in accordance with GRAP 109. As a result, this has been accounted for as an agent, with the expenditure being recognised directly against the liability.		
Scottburgh CBD Rehabilitation		
Balance unspent at beginning of year	-	5 270
Conditions met - transferred to revenue	-	(5 270)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
Provincial Library Services Grant		
Balance unspent at beginning of year	1	870 087
Current-year receipts	9 003 000	8 539 000
Conditions met - transferred to revenue	(9 003 001)	(9 409 086)
	<u>-</u>	<u>1</u>
Conditions still to be met - remain liabilities (see note 14).		
Finance Management Grant		
Current-year receipts	3 000 000	4 315 000
Conditions met - transferred to revenue	(3 000 000)	(4 315 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		
Expanded Public Works Programme		
Current-year receipts	1 228 000	1 219 000
Conditions met - transferred to revenue	(1 228 000)	(1 219 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 14).		

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Figures in Rand	2020	2019
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27. Government grants and subsidies (continued)

Maintenance and Management of Sportfield

Current-year receipts	-	50 000
Conditions met - transferred to revenue	-	(50 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 14).

Spatial Development Framework Grant

Balance unspent at beginning of year	1 000 000	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(269 500)	-
	<u>730 500</u>	<u>1 000 000</u>

Conditions still to be met - remain liabilities (see note 14).

Municipal Systems Support Grant

Current-year receipts	-	1 055 000
Conditions met - transferred to revenue	-	(1 055 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 14).

Housing Development

Current year receipts (recognised as an agent)	42 482 461	-
Conditions met - expenditure incurred (recognised as an agent)	(37 887 519)	-
	<u>4 594 942</u>	<u>-</u>

This arrangement meets the definition of an agent in accordance with GRAP 109. Hence, expenditure is recognised directly against the liability. No revenue is therefore recognised. Conditions still to be met - remain liabilities (see note 14).

28. Fines, Penalties and Forfeits

Overdue Books Fines	5 937	9 776
Municipal Traffic Fines	2 672 950	2 009 950
	<u>2 678 887</u>	<u>2 019 726</u>

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Figures in Rand	2020	2019
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29. Employee related costs

Basic salaries	86 604 847	73 094 388
13th cheque	5 279 219	4 153 973
Medical aid contributions	5 050 497	4 125 546
Unemployment Insurance Fund	743 287	700 330
Skills Development Levy	916 965	996 286
Contribution for Leave Pay	5 035 527	2 488 503
Pension fund contributions	13 357 427	10 122 817
Post retirement medical aid contributions	3 274 520	3 008 833
Staff insurance	2 701	2 750
Overtime payments	4 972 669	4 972 128
Non Pensionable Allowance	737 237	612 907
Shift allowance	114 879	42 667
Housing Benefits and allowances	265 066	236 306
Rental Subsidy	41 253	23 760
Bargaining council levy	54 774	46 439
Cellphone allowance	248 732	228 819
Travelling allowance	127 200	127 200
Standby allowance	506 929	262 850
	127 333 729	105 246 502

Remuneration of the Acting Municipal Manager: MR BA Xulu (March 2018- Sept 2019)

Annual remuneration	-	283 133
Leave paid	-	49 830
	-	332 963

Remuneration of the Municipal Manager: Dr V Tsako (Nov 2018-June 2020)

Annual remuneration	998 887	654 653
Allowance	20 868	13 912
Backpay	21 871	4 219
	1 041 626	672 784

Remuneration of the Chief Financial Officer : Ms T Mhlongo (July 2017 - June 2020)

Annual remuneration	836 536	805 931
Cellphone Allowance	6 600	6 600
Performance bonus	54 278	54 278
Travelling allowance	127 200	127 200
Backpay	30 749	20 354
Acting allowance	-	3 035
	1 055 363	1 017 398

Remuneration of the General Manager : Technical Services: Mr S Mngadi (July 2017 - Feb 2019)

Annual remuneration	-	455 741
Performance bonus	-	5 280
Travelling allowance	-	111 120
Leave Pay	-	168 653
Backpay	-	18 752
	-	759 546

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Figures in Rand	2020	2019
29. Employee related costs (continued)		
Remuneration of the Acting Manager: Technical Services Mr BT Khumalo (July 2018-February 2019)		
Annual remuneration	-	411 208
Leave pay	-	39 475
	-	450 683
Remuneration of the General Manager : Corporate Services Mrs N Ncame (July 2017 - June 2019)		
Annual remuneration	-	752 027
Cellphone allowance	-	6 600
Travelling allowance	-	63 600
Leave paid	175 043	-
Backpay	-	600 786
	175 043	1 423 013
Remuneration of the Acting Manager: Technical Services Mr MN Manyathi Jun 2019- Dec 2019)		
Annual remuneration	202 854	202 854
Backpay	-	67 618
Cellphone allowance	3 850	-
Leave pay	12 982	-
	219 686	270 472
Remuneration of Acting Manager: Technical Services Mr SM Nkwanyana (Feb 20 - Jun 20)		
Annual remuneration	346 813	-
Backpay	56 592	-
	403 405	-
Remuneration of the Acting General Manager: Planning and Development Mr MCI Mzotho (Nov 2018-June 2020)		
Annual remuneration	820 138	531 321
Cellphone allowance	6 480	4 320
Backpay	23 261	3 132
	849 879	538 773
Remuneration of the General Manager : Community Services: Mrs L Shange (July 2017-Jan 2019)		
Annual remuneration	-	482 878
Cellphone allowance	-	2 640
Leave Pay	-	108 501
Backpay	-	15 018
	-	609 037
Remuneration of the General Manager : Community Services: Mr VT Khanyile (Nov 2019-Jun 2020)		
Annual remuneration	549 667	-
Cellphone allowance	4 400	-
Leave Pay	8 822	-
Acting allowance	14 538	-
	577 427	-

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29. Employee related costs (continued)		
Remuneration of the Acting General Manager: Corporate Services Mr MT Shange (January 2018 - January 2019)		
Annual remuneration	-	167 815
Backpay	-	40 132
	-	207 947
Remuneration of the Acting General Manager: Corporate Services Miss DP Nene (Mar 2019 - June 2019)		
Annual remuneration	128 745	202 854
Backpay	5 815	67 618
Cellphone allowance	3 300	-
	137 860	270 472
Remuneration of the General Manager: Corporate Services Mr SG Dludla (Jul 2020 - Jun 2020)		
Annual remuneration	70 525	-
Cellphone allowance	550	-
	71 075	-
30. Remuneration of councillors		
Cllr WT Dube (Mayor)	905 259	872 149
Cllr ST Khathi (Deputy Mayor)	733 088	706 600
Executive Committee Members	3 450 229	3 159 763
Cllr NP Mpanza (Speaker)	733 088	706 600
Other councillors	9 265 262	9 042 607
	15 086 926	14 487 719

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Figures in Rand	2020	2019
30. Remuneration of councillors (continued)		
Mayor (Cllr WT Dube)		
Basic salary allowance	860 859	827 749
Cellphone allowance	44 400	44 400
	905 259	872 149
Deputy Mayor (Cllr ST Khathi)		
Basic salary allowance	688 688	662 200
Cellphone allowance	44 400	44 400
	733 088	706 600
Executive Committee Members		
Basic salary allowance	3 228 230	2 948 863
Cellphone allowance	222 000	210 900
	3 450 230	3 159 763
Speaker (Cllr NP Mpanza)		
Basic salary allowance	688 688	662 200
Cellphone allowance	44 400	44 400
	733 088	706 600
Other Councillors		
Basic salary allowance	7 977 663	7 788 307
Cellphone allowance	1 287 600	1 254 300
	9 265 263	9 042 607
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Executive Committee members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of council.		
The Mayor, Deputy Mayor and Speaker have use of council owned vehicles for official duties and each have one full time driver.		
The Mayor has two full time bodyguards. The Deputy Mayor and Speaker have one full time bodyguard per person .		
31. Contributions to Provisions		
Contribution to Landfill Site Provision	1 085 386	210 121
32. Depreciation and amortisation		
Property, plant and equipment	41 614 249	54 301 731
Investment property	408 291	407 965
Intangible assets	161 622	641 370
	42 184 162	55 351 066
33. Finance costs		
Trade and other payables - Overdue accounts	961	-
Finance leases	25 560	161 394
	26 521	161 394

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Figures in Rand	2020	2019
34. Lease rentals on operating lease		
Plant and equipment		
Contractual amounts	41 833	233 418
35. Debt impairment		
Debt impairment	15 435 374	21 960 665
36. Contracted services		
Outsourced Services		
Alien Vegetation Control	1 066 826	-
Animal Care	41 169	-
Burial Services	31 459	29 401
Business and Advisory	8 321 233	13 327 599
Catering Services	314 572	1 145 377
Cleaning Services	1 209 199	5 504 488
Clearing and Grass Cutting Services	114 200	189 696
Hygiene Services	121 604	1 135 917
Internal Auditors	394 500	354 929
Medical Health Services and Support	86 400	-
Refuse Removal	4 484 326	6 687 649
Security Services	11 158 915	8 212 358
Swimming Supervision	1 099 999	1 350 960
Veterinary Services	-	71 000
Transport Services	407 622	261 076
Electrical	-	2 000 000
Consultants and Professional Services		
Business and Advisory	602 755	1 683 345
Infrastructure and Planning	1 297 185	630 258
Legal Cost	8 359 017	3 700 845
Contractors		
Forestry	-	18 700
Catering Services	245 649	385 640
Electrical	858 303	-
Employee Wellness	352 684	1 492 579
Event Promoters	-	5 000
First Aid	2 796	41 000
Fire Services	-	613 892
Gas	853 865	-
Maintenance of Buildings and Facilities	7 039 984	7 653 365
Maintenance of Equipment	5 331 722	4 573 947
Maintenance of Unspecified Assets	21 544 463	12 915 638
Medical Services	58 144	52 021
Traffic and Street Lights	274 030	510 320
Sports and Recreation	310 145	1 085 664
Stage and Sound Crew	44 800	90 847
Shark Nets	1 354 000	2 265 346
	77 381 566	77 988 857
37. Grants and subsidies paid		
Grants paid to Municipal Entities		
Ugu South Coast Development Agency and Ugu South Coast Tourism	1 013 595	1 746 174

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Figures in Rand	2020	2019
37. Grants and subsidies paid (continued)		
Other subsidies		
Grant in Aid	244 000	291 718
Social Relief	87 840	46 400
Youth development - Section 20 schools	772 113	859 568
Skills development and training	1 268 651	1 871 503
	2 372 604	3 069 189
	3 386 199	4 815 363
38. Operational expenditure		
Advertising	1 769 021	1 369 488
Signage	13 750	42 715
Auditors remuneration	2 199 395	3 156 000
Bank charges	349 416	478 462
Commission paid	217 215	229 793
Learnerships and Internships	145 000	367 320
Consumables, Materials and Supplies	6 466 783	8 500 653
Bursaries	377 430	296 025
Hire charges	91 250	1 341 801
Insurance	1 238 041	1 536 922
Conferences and seminar registration fees	1 049 368	734 468
Computer services and licence fees	5 160 065	3 257 886
Fuel and oil	3 352 915	5 058 811
Printing, publications and books	1 822 978	696 803
Uniform and Protective clothing	1 679 525	3 095 250
Drivers licence and motor vehicle fees	1 117 049	1 260 165
Subscriptions and membership fees	274 691	268 629
Communication	2 248 580	1 539 327
Travel and subsistence expenditure	553 768	1 410 055
Vehicle Tracking	2 927	273 716
Electricity and water	7 449 574	11 849 366
Firearm handling fees	12 711	-
Workmens Compensation	1 181 343	2 030 318
Ward committees	2 205 792	2 110 800
Indigent relief	1 559 084	1 695 511
	42 537 671	52 600 284
39. Loss on disposal of assets and liabilities		
Property, plant and equipment	-	(758 269)

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Figures in Rand	2020	2019
40. Cash generated from operations		
Deficit	(35 918 668)	(26 999 065)
Adjustments for:		
Depreciation and amortisation	42 184 162	55 351 066
Loss on disposal of assets	-	758 269
Actuarial gain	(719 243)	(957 404)
Finance costs - Finance leases	25 560	161 394
Impairment loss	23 921 436	1 644 816
Debt impairment	15 435 374	21 960 665
Bad debts written off	-	495 105
Movements in operating lease assets and accruals	27 654	(105 794)
Movements in retirement assets and liabilities	(1 472 459)	(1 357 759)
Write-off of unallocated receipts	-	(202 437)
Contribution to staff leave	5 035 527	2 488 503
Changes in working capital:		
Receivables from exchange transactions	(6 415 545)	(11 190 644)
Receivables from non-exchange transactions	(16 232 406)	(9 143 556)
Payables from exchange transactions	(20 754 154)	4 856 238
VAT	(914 119)	403 592
Unspent conditional grants and receipts	11 148 895	6 620 778
Consumer deposits	57 493	214 477
Other liabilities	(465 323)	569 056
	14 944 184	45 567 300
41. Impairment of assets		
Impairments		
Property, plant and equipment	23 921 436	1 644 816
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
42. Auditors' remuneration		
Audit Fees	2 199 395	3 156 000

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16 728 052	19 707 798
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	1 955 000
Total capital commitments		
Already contracted for but not provided for	16 728 052	19 707 798
Not yet contracted for and authorised by director	-	1 955 000
	16 728 052	21 662 798
Authorised operational expenditure		
Already contracted for but not provided for		
• Contracted services	21 081 705	4 149 878
Not yet contracted for and authorised by accounting officer		
• Contracted services	-	390 000
Total operational commitments		
Already contracted for but not provided for	21 081 705	4 149 878
Not yet contracted for and authorised by director	-	390 000
	21 081 705	4 539 878
Total commitments		
Total commitments		
Authorised capital expenditure	16 728 052	21 662 798
Authorised operational expenditure	21 081 705	4 539 878
	37 809 757	26 202 676

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Minimum lease payments due		
- within one year	40 710	249 854
- in second to fifth year inclusive	-	163 785
	40 710	413 639

Included in the above mentioned operating lease payments are the following major classes of leases, which are only significant collectively:

Rental expenses relating to operating leases		
Office Equipment	40 710	413 539
Properties	-	100

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Figures in Rand	2020	2019
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43. Commitments (continued)

40 710

413 639

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment

- (i) The equipment shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

44. Related parties

Relationships

Related party transactions

Transactions with key management

Councillors	15 086 928	14 487 719
Municipal Manager and Section 57 personnel	4 487 089	6 553 058

Transactions with related parties other than key management personnel

Umdoni Municipality provides a subsidy to Ugu South Coast Tourism	1 390 712	1 324 488
Umdoni Municipality provides a subsidy to Ugu South Coast Development Agency	665 634	633 937

Relationship between municipality and related parties

a) Umdoni Municipality's Municipal Manager is a director of the Ugu South Coast Tourism and Ugu South Coast Development Agency, therefore Ugu South Coast Tourism and the Development Agency are related parties to Umdoni Municipality.

b) Key management and councillors have had direct or indirect significant control over the municipality and they receive remuneration from the municipality in terms of GRAP 20:35. The detail of the transactions have been included in Note 25 and Note 26 of the AFS.

45. Risk management

Financial risk management

The Municipality has reviewed and assessed the following main categories of risk as being immaterial

- Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- Foreign currency risk

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

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Figures in Rand

2020

2019

45. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables-Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Instruments disclosure

The municipality does not hedge foreign exchange fluctuations.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows:

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

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45. Risk management (continued)

Current Investments

30 Day Deposits

Category

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Trade receivables from exchange transactions & non-exchange transactions

Consumer Debtors

Financial asset measured at amortised cost

Other Debtors

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Bank, Cash and Cash Equivalents

Bank Balances

Financial asset measured at amortised cost

Cash on Hand

Financial asset measured at fair value

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost :

Trade receivables- Consumer Debtors

71 507 087

79 984 214

Trade receivables - Other Debtors

16 484 977

7 389 981

Bank balances

194 682 311

204 618 797

Financial Assets at Fair Value

Cash on Hand

5 250

5 250

282 679 625

291 998 242

FINANCIAL LIABILITIES:

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

Financial Liabilities

Category

Long-term Liabilities

Annuity Loans

Financial asset measured at amortised cost

Creditors

Trade Creditors

Financial asset measured at amortised cost

Payments received in advance

Financial asset measured at amortised cost

Deposits - Other

Financial asset measured at amortised cost

Staff leave

Financial asset measured at amortised cost

Other creditors

Financial asset measured at amortised cost

Current Portion of Long-term Liabilities

Annuity loans

Financial asset measured at amortised cost

Financial liabilities at amortised cost

Financial asset measured at amortised cost

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

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45. Risk management (continued)

Finance Lease Liability	-	901 244
Consumer Deposits	2 349 056	2 291 563
Trade Payables and Accruals	7 734 788	25 985 960
Payments received in advance	5 873 464	5 686 491
Retention	5 146 544	12 203 183
Accrued leave pay	14 297 341	10 447 880
Unallocated deposits	1 689 773	1 257 836
Salary control accounts	106 931	49 258
	37 197 897	58 823 415

46. Events after the reporting date

Adjusting Events

Management have not identified any matter or circumstance since the end of the financial year, that will impact on the fair presentation of the annual financial statements.

Non Adjusting Events

Management have not identified any matter or circumstance since the end of the financial year, that will impact on the fair presentation of the annual financial statements

47. Unauthorised expenditure

Opening balance as restated	-	-
Add: Expenditure identified - current	4 154 466	42 302 463
Less: Approved/condoned/authorised by council	(4 154 466)	(42 302 463)
Closing balance	-	-

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	34 208 742
Cash	4 154 466	8 093 721
	4 154 466	42 302 463

Analysed as follows: non-cash

Depreciation and amortisation	-	16 214 868
Debt impairment	-	16 349 058
Impairment loss on property, plant and equipment	-	1 644 816
	-	34 208 742

Analysed as follows: cash

Contracted services	-	469 264
Other expenditure	4 154 466	1 365 120
Other materials	-	6 259 337
	4 154 466	8 093 721

The unauthorised expenditure relates to emergency expenditure incurred related to the Covid-19 pandemic. The expenditure includes procurement of protective clothing and equipment, sanitising of the building, and environmental health assessments undertaken in accordance with the Covid-19 Health and Safety Regulations.

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47. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department

Transport	1	-
Safety and security	1	-
Electricity	1	-
Water	1	-
Environment and agriculture Management	1	-
Community and social development	1	-
Infrastructure	1	-
Finance	1	-
	<u>8</u>	<u>-</u>

48. Fruitless and wasteful expenditure

Opening balance as previously reported	543 300	108 985
Opening balance as restated	543 300	108 985
Add: Expenditure identified - current	9 889	434 315
Closing balance	553 189	543 300

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48. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Interest on late payments	9 889	2 614
Payment of storage and warrant of execution costs	-	189 675
Legal fees for forensic auditor to investigate allegations of irregular, fruitless and wasteful expenditure	-	242 026
	9 889	434 315

49. Irregular expenditure

Opening balance as previously reported	232 738 910	190 041 337
Opening Balance	232 738 910	190 041 337
Add: Irregular Expenditure - current year contracts	11 903 155	42 697 573
Add: Irregular Expenditure - prior period contracts	92 092 781	-
Closing balance	336 734 846	232 738 910

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Expenditure exceeded the contract amount	-	670 831
Regulation 36 incorrectly applied	249 534	4 738 212
Awards to suppliers who are employed by the state	-	81 650
Regulation 32 contracts incorrectly applied	835 992	6 037 615
Non compliance with SCM Regulations	479 332	31 169 265
BAC Non-Compliance	91 295 123	-
Expired Contracts	11 135 961	-
	103 995 942	42 697 573

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50. Accounting by principals and agents

Integrated National Electrification Programme

The municipality is a party to a principal-agent arrangement in terms of the Integrated National Electrification Programme. The municipality is considered to be an agent in accordance with GRAP 109, with the Department of Energy being the principal in this arrangement.

Details of the arrangement is as follows:

The purpose of the arrangement is to provide electricity to unelectrified urban and rural households and installing infills, therefore eradicating the household electrification backlog and ensuring universal access to electricity. The municipality is also responsible for appointing contractors and consultants to execute the project, to enable Eskom to energise the electrified households.

Significant terms and conditions of the arrangement are as follows:

Manage the electrification programme as well as the design and the implementation of the project.

Appoint service providers within the required timeframe as per the agreement.

Ensure that all the engineering designs and pre-engineering work is completed.

Ensure that houses are already built and occupied before the electrification project can commence.

Statutory reporting.

Co-operate with the Department to ensure that technical audits are conducted by availing as-built drawings, list of beneficiaries, copies of the certificate of compliance and Tender documents and specifications

Significant risks have been identified as follows:

Significant risks are inventory risks, electrification not conducted as per the designs, the contractor leaving the site before completion, the use of sub-standard material and employees not paid by the contractor.

-

Mitigation strategies and benefits associated with the relationship are as follows:

Service Provider appointed and assumes for the work done and inventory risks associated as outlined in the award letter

Department of Energy is monitoring the project in phases

Retention and surety is withheld in each phase of the installation

Project steering committee had been established to monitor the project

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

During the financial year, the municipality received funds totalling R15 million in addition to the unspent opening balance of R 7 787 932. All the resources received have been utilised in the financial year, with no unspent funds remaining at the end of the year.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled during the financial year, and hence no outstanding payments were recorded at year end.

Corresponding rights of reimbursement that have been recognised at year end, relate to the excess expenditure incurred on the project which was, in addition, to the funds received. The receivable amount recognised in the financial statements is R 1 865 378 (2019: NIL).

Housing Development Project

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50. Accounting by principals and agents (continued)

The municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement.

Details of the arrangement is as follows:

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements.

Significant terms and conditions of the arrangement are as follows:

The municipality to procure the implementation of the project on a rural in-situ upgrade.

Design the product in consultation with all stakeholders.

Investigate building systems and designs for the Top-Structures and Rain Water Harvesting Tanks that are acceptable with the community, the municipality and the Department.

Prepare detailed Top Structure foundation designs in accordance to the varying geotechnical conditions.

Construct the Top Structures and Rain Water Harvesting tanks in accordance with the drawings and specifications within the period of the agreement.

Significant risks have been identified as follows:

The significant risks identified are delays in land acquisitions, Delays in funding approval, Social unrest, Inadequate funding to meet the requirements, and environmental risks

-

Mitigation strategies and benefits associated with the relationship are as follows:

Negotiating with land owners prior to the construction

Ensuring compliance with the agreements to ensure speedy release of the funding

Constant communication with the community and ensuring public participation

Be pro-active in the feasibility study to be aware of the environmental pre-conditions

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

During the financial year, the municipality received funds totalling R42 482 461. The municipality has incurred expenditure of R 38 817 740 during the financial year, resulting in an unspent balance at year end of R 3 664 721. Due to the monies being received in accordance with an agreement with the Department of Human Settlements, as well as the conditions in which the funds received may be utilised, the unspent amount has been disclosed in Note 13 Unspent grants and subsidies. The funds are rolled forward to the next year, after notifying the department about the delays experienced by the municipality. The funds shall be rolled forward to the next financial year, after notifying the department about the delays experienced by the municipality.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognised at year end.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

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50. Accounting by principals and agents (continued)

Resources have been recognised by the agent in its financial statements related to the outstanding payable of R 3 664 721, being the unspent grant and subsidy disclosed in terms of note 13.

During the period, the municipality constructed houses in Amandawe, Amalangen, Mistake Farm and Amahlongwa areas, with the total expenditure incurred being R 38 817 740.

The municipality controls the houses being constructed, which will be transferred to the beneficiaries upon completion of the project, on behalf of Provincial Department of Human Settlements. The estimated transfer date is December 2021.

Motor Vehicle Registrations

The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations and licensing. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

Details of the arrangement

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

Significant terms and conditions of the arrangement are as follows:

The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year

The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department

The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences.

The municipality is tied to retain 8,55% of the cash collected for undertaking this activity on behalf of the Department.

Significant risks have been identified as follows:

The significant risks relate to the possible loss of any monies during transit and potential theft by employees

Mitigation strategies and benefits associated with the relationship are as follows:

Cameras installed and monitored

Access is controlled through biometric system

Cash is collected by the security services company and such cash is insured

Internal controls and reconciliations are performed on a daily and monthly basis

Resources held on behalf of the principal, but recognised in the entity's own financial statements

During the financial year, the municipality collected R 18 930 474. All the monies collected were paid over to the principal, with banking being performed on a daily basis. As at 30 June 2020, there are no amounts outstanding for payment to the principal.

Revenue recognised

The revenue earned by the municipality, as the compensation for the transactions carried out on behalf of the principal is R1 403 453. (2019: R1 701 157).

Liabilities and corresponding rights of reimbursement recognised as assets

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50. Accounting by principals and agents (continued)

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognised at year

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements. The municipality is required to return the equipment supplied by the department should the agreement be terminated.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	1 527 375	1 030 690
Amount paid - current year	(7 705)	(1 030 690)
	<u>1 519 670</u>	<u>-</u>

Unemployment Insurance Fund & Skills Levy

Current year subscription / fee	1 660 249	1 696 618
Amount paid - current year	(1 660 249)	(1 696 618)
	<u>-</u>	<u>-</u>

Audit fees

Current year subscription / fee	2 378 596	2 818 617
Amount paid - current year	(2 378 596)	(2 818 617)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year fees	18 407 923	14 248 364
Amount paid - current year	(18 407 923)	(14 248 364)
	<u>-</u>	<u>-</u>

Bargaining Council : Levies and Staff Insurance

Current year subscription / fee	57 473	49 185
Amount paid - current year	(57 473)	(49 185)
	<u>-</u>	<u>-</u>

VAT

VAT receivable	<u>12 702 791</u>	<u>11 788 672</u>
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

There were no Councillors that had arrear accounts outstanding for more than 90 days for the current and previous financial years ended 30 June 2020 and 30 June 2019:

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved:

Incident

An emergency: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of an emergency.	890 940	1 226 972
Goods and services procured or available from a single provider only: Expenditure incurred in accordance with Section 36 of the SCM Regulations in respect of goods and services or available from a single provider only.	845 518	1 222 635
Exceptional case where it is impractical or impossible to follow the official procurement processes : Expenditure incurred in accordance to Section 36 of the Regulations in respect of exceptional case where it is impractical or impossible to follow the official procurement processes.	677 673	1 862 843
	2 414 131	4 312 450

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52. Contingent Liabilities		
Matters arising from the erstwhile Vulamehlo Municipality not resolved to date - outstanding invoice claims	-	1 058 998
SARS VAT Audit Outcome in process of being resolved - provisional estimation of penalties	-	1 307 833
Personal injury claims against the municipality for injuries and damages sustained by claimant's child	7 684 177	3 339 759
Order provided by the Municipality for services of water and sanitation at the Isonti Housing Project: payment outstanding from Ugu District Municipality	-	3 419 623
Claim for consideration to be paid for a pipeline that does not fall within the parameters of a previously registered sewer servitude	-	200 000
Breach of contract – construction and renovations to Umzinto Sports field were terminated. Contractor has claimed payment for services rendered subsequent to termination	2 540 065	2 510 007
Breach of contract claim in respect of a tender being awarded to a service provider but could not commence construction due to objections from the public	4 706 062	4 945 275
Breach of contract claim – rehabilitation of the Scottburgh CBD	24 902 689	24 688 499
Stormwater damage claims in respect of damages to residential and commercial properties	1 255 150	1 168 979
Breach of contract claim due to termination of agreement in respect of the Rehabilitation Umzinto CBD	13 203 585	13 203 585
Public Liability Claim for injuries sustained to due to stepping into a pothole	88 918	120 000
Outstanding invoice claims from suppliers that are currently under legal dispute	3 485 288	2 481 288
Claim against the municipality for unlawful arrest and detention	225 000	-
Claim against the municipality for award of tender, despite award being set aside by the Municipal Bid Appeals Tribunal	60 000	-
Claim against Municipality for unfair suspension. This claim is in respect of legal fees incurred for appointment of attorneys for disciplinary hearing	184 929	-
Claim for for services allegedly rendered related to the supply of G4 gravel, however no tender process followed	634 490	-
	58 970 353	58 443 846

Contingent Liabilities that cannot be quantified:

The Municipality has commenced employee job evaluations as prescribed in terms of the salary wage collective agreement between SALGA, IMATU and SAMWU – 27 July 2012. As a result, the Municipality is unable to measure, with sufficient reliability, the amount of such obligation for as at 30 June 2019.

53. Going concern

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus (deficit) of R 873 575 146 and that the entity's total assets exceed its liabilities by R 886 406 948.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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Notes to the Annual Financial Statements

54. Prior Period Adjustments

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	204 372 080	251 967	-	204 624 047
Receivables from exchange transactions	2 926 527	49 258	95	2 975 880
Inventories	8 849 172	-	-	8 849 172
Receivables from non-exchange transactions	63 040 830	1 676 341	-	64 717 171
VAT receivable	11 788 672	-	-	11 788 672
Operating lease asset	174 806	-	-	174 806
	291 152 087	1 977 566	95	293 129 748
Non-Current Assets				
Investment property	9 823 977	-	-	9 823 977
Property, plant and equipment	717 703 559	1 622 003	-	719 325 562
Intangible assets	1 621 440	(791 204)	-	830 236
Heritage assets	261 011	-	-	261 011
	729 409 987	830 799	-	730 240 786
Total Assets	1 020 562 074	2 808 365	95	1 023 370 534
Liabilities				
Current Liabilities				
Consumer deposits	-	-	2 291 563	2 291 563
Employee benefit obligation	1 418 380	-	(74 705)	1 343 675
Payables from exchange transactions	57 869 667	52 599	(2 291 658)	55 630 608
Unspent conditional grants and receipts	8 787 933	-	-	8 787 933
Finance lease obligation	901 244	-	-	901 244
	68 977 224	52 599	(74 800)	68 955 023
Non-Current Liabilities				
Employee benefit obligation	19 481 801	-	74 705	19 556 506
Provisions	12 769 247	-	-	12 769 247
	32 251 048	-	74 705	32 325 753
Total Liabilities	101 228 272	52 599	(95)	101 280 776
Net Assets	919 333 802	2 755 766	190	922 089 758
Net Assets				
Reserves				
Housing development fund	12 595 850	-	-	12 595 850
Accumulated surplus	906 737 952	2 755 956	-	909 493 908
Total Net Assets	919 333 802	2 755 956	-	922 089 758

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Notes to the Annual Financial Statements

54. Prior Period Adjustments (continued)

54.1. Cash and cash equivalents

Balance previously reported	204 372 080
Prior period adjustment	251 967
	204 624 047

Interest on investments was recognised incorrectly in the prior financial year.

54.2 Receivables from exchange transactions

Balance previously reported	2 926 527
Prior year adjustments	49 258
Reclassifying adjustment	95
	2 975 880

The municipality reclassified a control account for over and unders on banking from payable from exchange transactions to receivables from exchange transactions, due to the account being a debit balance.

54.3 Receivables from non-exchange transactions

Balance previously reported	63 040 830
Prior period adjustments	1 676 341
	64 717 171

The municipality implemented a new traffic management system during the financial year. A detailed reconciliation of traffic fines outstanding was performed, resulting in prior period adjustments being effected to the financial statements.

54.4 Property, plant and equipment

Balance previously reported	717 703 559
Prior year adjustments	1 622 003
	719 325 562

Assets were identified during the 2019/20 asset verification process, which were not previously included in the fixed asset register. These assets were therefore recognised in the fixed asset register at fair value, as supporting documentation could not be obtained to determine the cost.

54.5 Intangible assets

Balance previously reported	1 621 440
Prior year adjustments	(791 204)
	830 236

Leased software was incorrectly capitalised to the asset register in the previous financial years. The leased software was therefore identified and derecognised accordingly.

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54. Prior Period Adjustments (continued)

54.6 Payables from exchange transactions

Balance previously reported	57 869 667
Reclassifying adjustments	(2 291 658)
Prior year adjustments	52 599
	55 630 608

The municipality reclassified a control account for over and unders on banking from payable from exchange transactions to receivables from exchange transactions, due to the account being a debit balance. Additionally, consumer deposits has been reclassified from trade and other payables to be reported separately on the Statement of Financial Performance, to improve presentation to the users.

54.7 Consumer deposits

Reclassification adjustment	2 291 563
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Consumer deposits were previously classified under payables from exchange transactions. In order to improve the presentaiton of the financial statements and alignment to the National Treasury mSCOA reporting, consumer deposits has been reclassified to appear directly on the Statement of Financial Performance.

54.8 Employee benefit obligation

Balance previously reported	1 418 380
Reclassification adjustment	(74 705)
	1 343 675

The current and non-current portion of the employee benefit obligation was reclassified in accordance with the actuarial valuation report.

54.9 Non-current Assets :Employee benefit obligation

Balance previously reported	19 481 801
Reclassification adjustment	(74 705)
	19 407 096

The current and non-current portion of the employee benefit obligation was reclassified in accordance with the actuarial valuation report.

54.10 Accumulated surplus

Balance previously reported	906 737 952
Prior year adjustments	2 755 956
	909 493 908

The recognition of fair value of newly identified assets were accounted for against accumulated surplus. Adjustments were further made to cash and bank for the correction of interest received in the prior year, as well as the adjustment to traffic fines.

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54. Prior Period Adjustments (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Sale of goods	2 251 981	-	(2 251 981)	-
Service charges	9 928 737	-	-	9 928 737
Sale of goods and rendering of services	-	-	3 997 108	3 997 108
Operational revenue	-	-	475 434	475 434
Rental of facilities and equipment	6 319 994	-	-	6 319 994
Interest received - receivables	-	-	119 519	119 519
Agency services	-	-	1 701 157	1 701 157
Rendering of services	2 220 561	-	(2 220 561)	-
Actuarial gains	-	-	957 404	957 404
Investment revenue	14 249 699	253 724	-	14 503 423
Total revenue from exchange transactions	34 970 972	253 724	2 778 080	38 002 776
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	92 363 754	-	-	92 363 754
Property rates - penalties and interest	5 904 083	-	-	5 904 083
Licence or permits	7 631 179	-	(1 701 158)	5 930 021
Transfer revenue				
Government grants & subsidies	164 734 154	-	-	164 734 154
Fines, Penalties and Forfeits	1 806 945	332 301	(119 520)	2 019 726
Total revenue from non-exchange transactions	272 440 115	332 301	(1 820 678)	270 951 738
Total revenue	307 411 087	586 025	957 402	308 954 514
Expenditure				
Employee related costs	(104 289 098)	-	(957 404)	(105 246 502)
Remuneration of councillors	(14 487 719)	-	-	(14 487 719)
Contribution to/from provisions	(210 121)	-	-	(210 121)
Depreciation and amortisation	(55 032 710)	(318 356)	-	(55 351 066)
Impairment of cash and non-cash generating assets	-	-	(1 644 816)	(1 644 816)
Finance costs	(161 394)	-	-	(161 394)
Debt impairment	(21 960 665)	-	-	(21 960 665)
Lease rentals on operating lease	(233 418)	-	-	(233 418)
Contracted services	(77 988 857)	-	-	(77 988 857)
Transfers and subsidies	(4 815 363)	-	-	(4 815 363)
Loss on disposal of assets	-	(758 269)	-	(758 269)
Operational expenditure	(52 598 527)	(1 757)	-	(52 600 284)
Bad debt written off	(495 105)	-	-	(495 105)
Total expenditure	(332 272 977)	(1 078 382)	(2 602 220)	(335 953 579)
Operating deficit	(24 861 890)	(492 357)	(1 644 818)	(26 999 065)
Impairment loss	(1 644 816)	-	1 644 816	-
Deficit for the year	(26 506 706)	(492 357)	(2)	(26 999 065)

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54. Prior Period Adjustments (continued)

54.11 Sales of goods

Balance previously reported	2 251 981
Reclassifying adjustments	(2 251 981)
Other 2	-
	<u>-</u>

The municipality disclosed sale of goods and rendering of services separately in the prior financial year. In order to ensure alignment to the mSCOA chart, sale of goods and rendering of services were combined.

54.12 Sale of goods and rendering of services

Reclassifying adjustments	<u>3 997 108</u>
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The municipality disclosed sale of goods and rendering of services separately in the prior financial year. In order to ensure alignment to the mSCOA chart, sale of goods and rendering of services were combined.

54.13 Interest received - receivables

Reclassification adjustment	<u>119 519</u>
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Interest earned on receivables were reclassified in accordance with the nature of the originating debt, being property rates and service charges.

54.14 Agency services

Reclassification adjustment	<u>1 701 157</u>
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The agency fees receivable from licence renewals were incorrectly classified as licences and permits.

The municipality realigned this to ensure correct allocation of commission received relating to agency services.

54.15 Operational revenue

Reclassifying adjustments	<u>475 434</u>
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The municipality disclosed sale of goods and rendering of services separately in the prior financial year. In order to ensure alignment to the mSCOA chart, sale of goods and rendering of services were combined. Operational revenue was previously included in the rendering of services. This has been reclassified to operational revenue as this relates to Skills Development levy refund, commissions and re-imburements.

54.16 Acturial gains

Reclassifying adjustments	<u>957 404</u>
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In accordance with NT guidance issued on disclosure of the actuarial gains resulting from employee benefits, this was reclassified to revenue.

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54. Prior Period Adjustments (continued)

54.17 Rendering of services

Balance previously reported	2 220 561
Reclassifying adjustment	(2 220 561)
	-
	<u>-</u>

Operational revenue was previously included in the rendering of services. This has been reclassified to operational revenue as this relates to Skills Development levy refund, commissions and re-imbursements

54.18 Interest received - investment

Balance previously reported	14 249 699
Prior period adjustments	253 724
	<u>14 503 423</u>

Interest on investments was recognised incorrectly in the prior financial year.

54.19 Licences and permits

Balance previously reported	7 631 179
Reclassifying adjustment	(1 701 158)
	<u>5 930 021</u>

Commission received on agency services were reclassified from licences and permits to agency services.

54.20 Fine, Penalties and Forfeits

Balance previously reported	1 806 945
Prior year adjustment	332 301
Reclassifying adjustment	(119 520)
	<u>2 019 726</u>

Interest earned on receivables were reclassified in accordance with the nature of the originating debt, being property rates and service charges. Additionally, revenue on fines were adjusted in accordance with amended working papers and traffic reports.

54.21 Employee related costs

Balance previously reported	(104 289 098)
Reclassifying adjustment	(957 404)
	<u>(105 246 502)</u>

In accordance with NT guidance issued on disclosure of the actuarial gains resulting from employee benefits, this was reclassified to revenue.

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54. Prior Period Adjustments (continued)

54.22 Depreciation and amortisation

Balance previously reported	(55 032 710)
Prior year adjustment	(318 356)
	<u>(55 351 066)</u>

Depreciation adjustments relates to identification of newly identified assets.

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54.23 Impairment of non cash generating assets

Balance previously reported	-
Other 1	(1 644 816)
	<u>(1 644 816)</u>

The municipality realigned the disclosure of impairment loss from below the surplus/deficit to above the surplus/deficit, in line with GRAP 1.

54.24 Loss on disposal of assets

Prior period adjustments	<u>(758 269)</u>
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A review of the asset register indicated that licences and software required disposal in the prior financial year.

54.25 General Expenses

Balance previously reported	(52 598 527)
Reclassification adjustment	-
Prior period adjustment	(1 757)
	<u>(52 600 284)</u>

Bank charges were incorrectly recognised in the prior financial year..

